

Message Text

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PAGE 01 STOCKH 01520 070926Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-07 LAB-04
NSAE-00 SIL-01 PA-02 PRS-01 USIA-15 /051 W
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FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 0270
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY OSLO
AMCONSUL GOTEBOG UNN

UNCLAS STOCKHOLM 1520

E.O. 11652: N/A
TAGS: ELAB, SW
SUBJECT: LABOR MEDIATION FAILS

REF: (A) STOCKHOLM 1108, (B) STOCKHOLM 1455

1. SUMMARY. MEDIATING COMMISSION PRODUCED A SETTLEMENT PROPOSAL ON SUNDAY, APRIL 3 IN LATEST EFFORT TO BRING STALLED NATIONWIDE CONTRACT TALKS TO A CONCLUSION. IT DIDN'T WORK. AFTER MULLING THINGS OVER FOR A DAY, THE EMPLOYERS (SAF) REJECTED THE PROPOSAL ON GROUNDS THAT IT FAILED TO LINK WAGE INCREASES TO PRODUCTIVITY MEASURES WHICH THEY HAD DEMANDED. THESE MAINLY INVOLVE A TIGHTENING OF THE SICK BENEFITS SYSTEM AND THE INTRODUCTION OF A VARIABLE WORK WEEK. THE UNIONS (LO AND PTK) ON THE OTHER HAND EXPRESSED DISSATISFACTION WITH THE SIZE OF THE SUGGESTED WAGE BOOSTS BUT INDICATED THAT THEY WERE WILLING TO CONTINUE NEGOTIATING ON THE BASIS OF THE PROPOSAL. GOVERNMENT HAS ASKED MEDIATORS TO TRY AGAIN. END SUMMARY.

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2. THE MEDIATORS' FORMULA WAS FAIRLY STRAIGHTFORWARD COMPROMISE. IT WAS CONFINED TO ARITHMETIC OF MATTERS AT ISSUE REMAINING LARGELY SILENT ON PRODUCTIVITY ASPECT AND SAYING NOTHING AT ALL ABOUT HIGHLY COMPLEX SUBJECT OF CODETERMINATION. ON WAGES, MEDIATORS PROPOSED A REDUCTION BY HALF OF LO'S CLAIMS FROM 5.8 PERCENT TO 3.2 PERCENT AND PTK'S FROM 4.8 PERCENT TO 2.3 PERCENT.

IT WAS GENERALLY ACCEPTED THAT THESE AMOUNTS WOULD RESULT IN 3-4 PERCENT DECLINE IN REAL EARNINGS DURING CONTRACT YEAR. THIS FIGURE WAS ARRIVED AT BY COMPARING ESTIMATED RISE IN TAKE-HOME PAY OF 12 PERCENT (2 PERCENT WAGE INCREASE AFTER TAXES PLUS 10 PERCENT ACCRUING FROM INCOME TAX REDUCTIONS) WITH AN ANTICIPATED CLIMB OF 15.5 PERCENT IN PRICES (ANNUAL INFLATION RATE TO-DATE OF 10 PERCENT PLUS 2.5 PERCENT AND 3 PERCENT, RESPECTIVELY, RESULTING FROM DEVALUATION AND IMPENDING INCREASE IN VALUE ADDED TAX - SEE REF. B).

3. GOVERNMENT HAS ASKED MEDIATORS TO PERSIST IN ATTEMPTS TO GET TWO SIDES TOGETHER. TALKS WILL NOT RESUME, HOWEVER, UNTIL AFTER EASTER HOLIDAYS. BOTH LO/PTK AND SAF ARE EXPECTED AT THAT TIME TO FORMALLY TERMINATE EXISTING AGREEMENTS WHICH WOULD ALLOW STRIKES AND/OR LOCKOUTS TO BE CALLED AFTER PASSAGE OF ONE WEEK. ALTHOUGH NO ONE SERIOUSLY ANTICIPATES AN OUTBREAK OF INDUSTRIAL CONFLICT, NEXT PHASE OF NEGOTIATIONS IS LIKELY TO BE ACCOMPANIED BY A GREAT DEAL OF SABRE-RATTLING BY BOTH PARTIES.

4. COMMENT: PERHAPS MOST STRIKING ASPECT OF PRESENT BARGAINING ROUND HAS BEEN TOUGHNESS OF SWEDISH EMPLOYERS HERETOFORE NOTED FOR ADAPABILITY AND WILLINGNESS TO COMPROMISE. EXPLANATION IS LARGELY ECONOMIC. ALREADY HUGE INVENTORIES CONTINUE TO GROW AND SWEDISH INDUSTRY IS REPORTED TO BE MORE THAN EVER PESSIMISTIC ABOUT OUTLOOK FOR NEXT FEW MONTHS. FACED WITH SHRINKING UNCLASSIFIED

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OVERSEAS MARKETS AND LITTLE HOPE FOR IMPROVEMENT SOON, SWEDISH EXPORT INDUSTRIES, WHICH HAVE BEEN TRADITIONAL PATTERN-SETTERS, FIND THEY ARE NO LONGER ABLE AS IN THE PAST TO TRANSFER MUCH OF THE BURDEN OF HIGH WAGES AND SOCIAL COSTS TO FOREIGN CUSTOMERS.

5. NUMBER OF SIGNS POINT TO A SETTLEMENT WITHIN TWO OR THREE WEEKS, PERHAPS SOONER. UNIONS SEEM PREPARED TO SWALLOW MODEST DROP IN REAL EARNINGS. THEY ARGUE PRIVATELY THAT GOVERNMENT POLICY IS AIMED AT LOWERING CONSUMPTION AND ATTEMPTS TO RESIST THIS PROCESS THROUGH COLLECTIVE BARGAINING WOULD BE FRUITLESS. ALL THAT REMAINS, THEREFORE, IS TO CONTRIVE SOME FACE-SAVING LANGUAGE ON PRODUCTIVITY TO TAKE EMPLOYERS OFF HOOK, AND THIS SHOULD NOT BE TOO HARD FOR MEDIATORS TO ACCOMPLISH.
SMITH

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